

FACEPUNCH STUDIOS LIMITED

FINANCIAL STATEMENTS

29 SEPTEMBER 2024

ArmstrongWatson[®]

Accountants, Business & Financial Advisers

FACEPUNCH STUDIOS LIMITED

COMPANY INFORMATION

Directors	Mr G J Newman Mr C P Gwilt Mr J S Purewal (resigned 8 July 2024) Mr A G McFarlane (appointed 11 October 2024)
Registered number	06848626
Registered office	Facepunch Studios Limited 8th Floor 103 Colmore Row Birmingham B3 3AG
Independent auditors	Grant Thornton UK LLP Statutory Auditor, Chartered Accountants 17th Floor 103 Colmore Row Birmingham B3 3AG
Accountants	Armstrong Watson LLP James Watson House Montgomery Way Rosehill Carlisle Cumbria CA1 2UU
Bankers	Lloyds Bank plc The Bridge Great Barr Walsall West Midlands WS1 1LG
Solicitors	Wiggin LLP 9th Floor, Met Building 22 Percy Street London W1T 2BU

FACEPUNCH STUDIOS LIMITED

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FACEPUNCH STUDIOS LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 29 SEPTEMBER 2024

The directors present their strategic report for the year ended 29 September 2024.

Facepunch Studios Limited is a wholly owned subsidiary of Facepunch Group Limited, both incorporated in the United Kingdom. Facepunch Studios Limited is a game development company and continues to develop games in the United Kingdom for sale worldwide. The company specialises in sandbox multiplayer titles.

Business environment

The global video games market generated \$188 billion U.S dollars to September 2024, the market is slowly but consistently growing.

The largest segment continues to be Mobile Games with a market volume of 49% in 2024, followed by Console and PC. The gaming industry as a whole faced many challenges in 2023 following exponential growth as a result of the covid pandemic, unfortunately this led to industry cuts and layoffs in the last 12-18 months. Mobile market share has slowed whilst PC has picked up, although the trend is expected to revert in 2025. The global games market is forecast to reach \$213.3 billion U.S dollars in 2027.

Company results and performance

The directors consider that the company's key financial performance indicators are turnover and profit before tax. The results of the company for the year, as set out on pages 11 to 14 show:

As restated

2024 2023

Turnover £77,246,081 £89,811,631

Profit on ordinary activities before tax £26,415,263 £32,884,860

Shareholders' funds £83,976,699 £63,711,033

The directors continually monitor the gaming market to assess the impact of any changes on the Company's financial performance. The Company has performed in line with expectations, with turnover down on the prior year. Mostly this relates to a reduction in console revenue because Rust only remains available on the older version of the consoles for both Xbox and PlayStation right now. Market trends have also impacted our PC revenue for Rust, generating slightly less income than in the prior year. Future revenues will be supported through continued focus on our core product Rust, continuing our long term roadmap for it, as well as future game development. The Company's top selling game Rust is regularly in Steam's top sales list.

Company profit results are as expected, there has been significant investment in our new headquarters during 2023. During 2024 we have continued to increase staff count and there has been a fluctuation in foreign exchange where USD has returned to more usual levels after last year end.

Principal risks and uncertainties

The company's activities are subject to risks and uncertainties, which may affect future financial performance. The worldwide gaming market is highly competitive, particularly in the online streaming sector where our business is focused. Many companies offer similar products, giving rise to ongoing development to differentiate us from our competitors and to keep our customers engaged.

The company's operations may expose it to a variety of potential financial risks, these include liquidity, credit, currency and interest rate risks. The company is fortunate to have sufficient cash to mitigate these risks. Fluctuations in interest rates aren't currently a risk to the business given the large level of cash reserves and because the company has no external loans. The company does not however rely on interest received on these cash balances.

The company is fortunate to have sufficient cash to meet its needs and hence there is no perceived liquidity risk. The company utilises funds to maximise the interest received. They continually review the liquidity position and would implement an appropriate structure of financing should this be required in the future.

The company seeks to balance the flows of revenues and costs across currencies to minimise exposure to currency risk.

FACEPUNCH STUDIOS LIMITED

STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2024

Future developments

The gaming market shows little signs of slowing down, the company is continuing to invest in its core products which continue to be highly successful.

The company currently has four active games available and plans to keep releasing regular updates to ensure sales remain strong, in the last year key game milestones have also been leveraged to drive performance. The company will continue to develop and release new games. The company is working closer with partners to explore opportunities for collaboration and cross promotion.

The company's principal game, Rust, celebrated its eleventh year of release in 2024. There is a roadmap for continued development and support over the long term.

Research and Development

The Company is engaged in the development of video games. All costs associated with game development are recognised directly in the profit and loss account as incurred.

Directors' statement of compliance with duty to promote the success of the company

The directors are aware of their responsibilities pursuant to section 172 of the Companies Act 2006.

In order to promote the success of the business for all stakeholders and for the long term the directors regularly review internal and external stakeholder relationships and the impact that the activities of the business have on these stakeholders.

Long-Term Success

We are committed to the long-term success of Facepunch Studios Limited. All of our strategic decisions take into account the impact on the company's financial performance, sustainable growth of shareholder value and enhancing the community's playing experience.

Employee and Contractor Interests

We value our workforce as our greatest asset and as a result, we regularly review our working practices and remuneration approach to ensure we not only attract great talent but that the working environment is conducive to well-balanced working relationships and good work-life balance, as the directors consider this to be the highest priority for sustaining the continued long term success of the business.

In this regard additional business staff have been onboarded in the last few years to manage and support the following for the Company;

- a) the development and growth of the team,
- b) the change of premises to improve hybrid working and employee wellbeing, and
- c) foster the company's business relationships with suppliers, customers and other stakeholders.

Customer and Supplier Relationships

Maintaining strong relationships with our customers and suppliers is essential. We work to provide high-quality products and services to our player base while fostering fair and transparent partnerships with our suppliers. Our decisions aim to strengthen these relationships and ensure mutual benefit.

Players, Community and Environment

We are committed to being a responsible corporate citizen. Our decisions take into account the impact on the local community and the environment. We seek to minimise our environmental footprint and contribute positively to the communities in which we operate, including various local and worldwide charitable initiatives. We have dedicated ourselves to delivering captivating gaming experiences that resonate with our diverse player community. Community feedback is encouraged and is actioned upon by way of monthly updates.

FACEPUNCH STUDIOS LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

Reputation Management

Protecting and enhancing the reputation of Facepunch Studios Limited is a priority. We consider the potential impact of our decisions on the company's reputation, ensuring that our actions align with our values and contribute positively to our public image.

Engagement with Stakeholders

We actively engage with our stakeholders to understand their concerns and expectations. This includes shareholders, employees, contractors, customers, suppliers, and the wider gaming community. This engagement informs our decision-making process and helps us balance competing interests.

As a result of these activities, the directors believe that they have demonstrated compliance with their legal duty under s.172 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

.....
Mr C P Gwilt

Director

Date: 23 May 2025

FACEPUNCH STUDIOS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 29 SEPTEMBER 2024

The directors present their report and the financial statements for the year ended 29 September 2024.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results and dividends

The profit for the year, after taxation, amounted to £20,265,666 (As restated 2023 - £26,979,322).

During the period ended 29 September 2024 the directors paid a dividend of £Nil (2023 - £Nil).

Directors

The directors who served since 30 September 2023 to the date of signing the financial statements were:

Mr G J Newman

Mr C P Gwilt

Mr J S Purewal (resigned 8 July 2024)

Mr A G McFarlane (appointed 11 October 2024)

FACEPUNCH STUDIOS LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 29 SEPTEMBER 2024

Environmental matters

During the year ended 29 September 2024, Facepunch Studios Limited gathered data regarding scope one, two and three carbon emissions (as defined by the GHG protocol) from its UK operations as defined by the requirement of the Streamlined Energy Carbon Reporting (SECR) legislation.

2024 2023

Energy (kWh)

Total Energy consumption used to calculate GHG emissions 480,103 282,946

Emissions (tCO₂e)

Scope 1 (emissions from gas and fuel for fleet vehicles) - -

Scope 2 (emissions from electricity and gas) 98.39 57.86

Scope 3 (emissions from business travel in employees cars) - -

Total SECR emissions 98.39 57.86

Specific Carbon Consumption

SCC (tCO₂e / £000 revenue) 0.001 0.001

There were no energy efficiency actions reported in 2024.

Matters covered in the Strategic Report

The company has chosen to set out in the company's strategic report information required to be contained in the directors' report in respect of future developments, financial instruments and research and development.

Engagement with suppliers, customers and others

Considering the potential consequences that a decision may have on employees, suppliers, customers, and other related parties is paramount. Acting with integrity and promoting high standards across the business is fundamental to how we operate as a business.

The company is aware of its responsibility to the local community and the environment, making charitable donations and contributing to the local community on a number of different initiatives.

Ultimately, we aim to increase the value of the business through building relationships with our external partners and creating opportunities for employees and stakeholders to achieve their potential.

Qualifying third party indemnity provisions

Directors' and officers' liability insurance cover is held in respect of any potential legal action brought against the company's directors, which was in place throughout the year.

Branches outside the United Kingdom

The Company does not operate any branches outside the United Kingdom.

FACEPUNCH STUDIOS LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

Going concern

After reviewing the Company's forecasts and projections, which cover the 12-month period from the date of signing the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This assessment takes into account the Company's significant cash reserves, which provide substantial liquidity and financial flexibility. Additionally, the Company continues to experience strong sales growth for its main game, Rust, which has seen record levels of player engagement post year end. Additional revenue is also expected from new projects set for release in the next 12 months. The forecasts and projections confirm that sales remain strong and cash reserves are significant, providing Company with sufficient funds to meet their liabilities as they fall due over the next 12 months. As a result, the Company continues to adopt the going concern basis in preparing its financial statements.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Post balance sheet events

There have been no significant events affecting the company since the year end.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.

.....
Mr C P Gwilt

Director

Date: 23 May 2025

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEPUNCH STUDIOS LIMITED

Opinion

We have audited the financial statements of Facepunch Studios Limited (the 'company') for the period from 1 October 2023 to 29 September 2024 which comprise the statement of comprehensive income, statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 29 September 2024 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as fluctuating exchange rates and global uncertainties, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

FACEPUNCH STUDIOS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEPUNCH STUDIOS LIMITED (CONTINUED)

Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEPUNCH STUDIOS LIMITED (CONTINUED)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the company financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- The company is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur; financial reporting legislation, Companies Act legislation, and tax legislation;
- We understood how the company is complying with those legal and regulatory frameworks by making enquiries of management. We corroborated our enquiries through our review of board minutes;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management from different parts of the business to understand where it is considered there was a susceptibility of fraud. We also considered performance targets and their propensity to influence efforts made by management to manage earnings. We considered the programs and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programs and controls. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk;
- Our audit procedures involved: journal entry testing, with a focus on large or unusual transactions based on our understanding of the business and enquiries of management. In addition, we completed audit procedures to conclude on the compliance of disclosures in the financial statements with applicable financial reporting requirements;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FACEPUNCH STUDIOS LIMITED (CONTINUED)

- Assessment by the engagement partner of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - knowledge of the industry in which the company operates and understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation; and
 - understanding of the legal and regulatory requirements specific to the company including:
 - the provisions of the applicable legislation
 - the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules
 - the applicable statutory provisions
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities is available on the Financial Reporting Council's website at

www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Philip Sayers (Senior Statutory Auditor)
for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

23 May 2025

FACEPUNCH STUDIOS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 29 SEPTEMBER 2024

	Note	2024 £	As restated 2023 £
Turnover	4	77,246,081	89,811,631
Cost of sales		(47,422,513)	(51,532,529)
Gross profit		29,823,568	38,279,102
Administrative expenses		(10,739,260)	(6,401,092)
Other operating income	5	2,890,493	-
Operating profit	6	21,974,801	31,878,010
Interest receivable and similar income	9	4,440,462	1,006,850
Profit before tax		26,415,263	32,884,860
Tax on profit	10	(6,149,597)	(5,905,538)
Profit for the financial year		20,265,666	26,979,322

There were no recognised gains and losses for 2024 or 2023 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2024 (2023: £NIL).

The notes on pages 15 to 29 form part of these financial statements.

Please refer to note 18 in regard to the restatement of 2023.

FACEPUNCH STUDIOS LIMITED
REGISTERED NUMBER: 06848626

STATEMENT OF FINANCIAL POSITION
AS AT 29 SEPTEMBER 2024

	Note	2024 £	As restated 2023 £
Fixed assets			
Tangible assets	11	3,003,265	3,341,921
Current assets			
Debtors: amounts falling due within one year	12	11,414,386	15,995,049
Cash at bank and in hand	13	81,202,454	56,958,764
		<u>92,616,840</u>	<u>72,953,813</u>
Creditors: amounts falling due within one year	14	(10,537,475)	(12,218,410)
Net current assets		<u>82,079,365</u>	60,735,403
Total assets less current liabilities		<u>85,082,630</u>	64,077,324
Creditors: amounts falling due after more than one year	15	(717,931)	(366,291)
Provisions for liabilities			
Deferred tax	16	(388,000)	-
		<u>(388,000)</u>	-
Net assets		<u><u>83,976,699</u></u>	<u><u>63,711,033</u></u>
Capital and reserves			
Called up share capital	17	102	102
Profit and loss account		83,976,597	63,710,931
		<u><u>83,976,699</u></u>	<u><u>63,711,033</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....
Mr G J Newman
Director

.....
Mr C P Gwilt
Director

Date: 23 May 2025

The notes on pages 15 to 29 form part of these financial statements.

Please refer to note 18 in regard to the restatement of 2023.

FACEPUNCH STUDIOS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 SEPTEMBER 2024

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 30 September 2023 (as previously stated)	102	65,659,189	65,659,291
Prior year adjustment	-	(1,948,258)	(1,948,258)
At 30 September 2023 (as restated)	102	63,710,931	63,711,033
Profit for the year	-	20,265,666	20,265,666
At 29 September 2024	102	83,976,597	83,976,699

The notes on pages 15 to 29 form part of these financial statements.

FACEPUNCH STUDIOS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 29 SEPTEMBER 2023

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 September 2022 (as previously stated)	102	37,666,686	37,666,788
Prior year adjustment	-	(935,077)	(935,077)
At 1 September 2022 (as restated)	102	36,731,609	36,731,711
Profit for the year (as restated)	-	26,979,322	26,979,322
At 29 September 2023	102	63,710,931	63,711,033

The notes on pages 15 to 29 form part of these financial statements.

FACEPUNCH STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 SEPTEMBER 2024

1. General information

Facepunch Studios Ltd is a private company limited by shares incorporated in England & Wales, its registration number is 06848626. The company trades from its registered office at Facepunch Studios Limited, 8th Floor, 103 Colmore Row, Birmingham, B3 3AG.

The principal activity of the company is that of computer game development.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

2.2 Going concern

After reviewing the Company's forecasts and projections, which cover the 12-month period from the date of signing the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. This assessment takes into account the Company's significant cash reserves, which provide substantial liquidity and financial flexibility. Additionally, the Company continues to experience strong sales growth for its main game, Rust, which has seen record levels of player engagement post year end. Additional revenue is also expected from new projects set for release in the next 12 months. The forecasts and projections confirm that sales remain strong and cash reserves are significant, providing Company with sufficient funds to meet their liabilities as they fall due over the next 12 months. As a result, the Company continues to adopt the going concern basis in preparing its financial statements.

2.3 Foreign currency translation

Functional and presentation currency

The company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'administrative expenses'.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024

2. Accounting policies (continued)

2.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Company revenue represents income received from globally recognised digital platforms in respect of games downloaded. Revenue is recognised in the month the game is downloaded by the end customer.

Revenue is recognised on a gross basis where the Company is considered to be the principal in the transaction, and on a net basis where the Company is considered to be acting as an agent. The determination of whether the Company is acting as principal or agent is based on an evaluation of the terms of each arrangement, considering whether the Company controls the goods or services before they are transferred to the customer.

Income received in advance is deferred in full alongside the associated costs, both are released and recognised once a game is downloaded or physically distributed.

2.5 Operating leases: the company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight-line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Research and development

Research and development costs in relation to games being developed are recognised as an expense as incurred in profit and loss.

2.7 Interest income

Interest income is recognised in profit or loss using the effective interest method.

2.8 Pensions

Defined contribution pension plan

The company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. Once the contributions have been paid the company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the company in independently administered funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

2. Accounting policies (continued)

2.9 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the reporting date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.10 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the methods listed below.

Depreciation is provided on the following basis:

Leasehold improvements	-	5% / 10% straight line
Computer equipment	-	33% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024

2. Accounting policies (continued)

2.11 Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.12 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.13 Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Provisions for liabilities

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties.

Increases in provisions are generally charged as an expense to profit or loss.

2.15 Financial instruments

Financial instruments are recognised in the company's Statement of Financial Position when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company only enters into basic financial instrument transactions that result in the recognition of basic financial assets and liabilities.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024

2. Accounting policies (continued)

2.15 Financial instruments (continued)

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in profit or loss.

Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Derecognition of financial assets

Financial assets are derecognised when their contractual right to future cash flow expire, or are settled, or when the company transfers the asset and substantially all the risks and rewards of ownership to another party. If significant risks and rewards of ownership are retained after the transfer to another party, then the company will continue to recognise the value of the portion of the risks and rewards retained.

Derecognition of financial liabilities

Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

2. Accounting policies (continued)

2.16 Impairment of non-financial assets

At each reporting date non-financial assets not carried at fair value, like tangible fixed assets, are reviewed to determine whether there is an indication that an asset may be impaired. If there is an indication of possible impairment, the recoverable amount of any asset or group of related assets, which is the higher of value in use and the fair value less cost to sell, is estimated and compared with its carrying amount. If the recoverable amount is lower, the carrying amount of the asset is reduced to its recoverable amount and an impairment loss is recognised immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset or group of related assets is increased to the revised estimate of its recoverable amount, but not to exceed the amount that would have been determined had no impairment loss been recognised for the asset or group of related assets in prior periods. A reversal of an impairment loss is recognised immediately in profit or loss.

2.17 Exemptions

Under FRS102 (section 1), the company is exempt from the requirement to prepare a cash flow statement as the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In determining and applying accounting policies, judgement is often required in respect of items where choice of specific policy, accounting estimate or assumption to be followed could materially affect the reported results or net asset position of the company; it may later be determined that a different choice would have been more appropriate. Management considers that certain accounting estimates and assumptions relating to revenue, taxation and accruals are its critical accounting estimates.

Management also exercises judgement in determining whether the Company acts as a principal or an agent in relation to its different income streams. This assessment considers whether the Company controls the underlying goods or services before they are transferred to the customer, whether it is primarily responsible for fulfilling the performance obligation, and whether it has discretion in setting prices. These factors are evaluated on a contract-by-contract basis. Where the Company is assessed to be the principal, revenue is recognised on a gross basis. Where the Company is assessed to be acting as an agent, revenue is recognised on a net basis, representing only the income to which the Company is contractually entitled.

4. Turnover

The whole of the turnover is attributable to the same business activity.

Analysis of turnover by country of destination:

	2024	As restated 2023
	£	£
United Kingdom	12,316,391	18,423,679
Rest of the world	64,929,690	71,387,952
	<u>77,246,081</u>	<u>89,811,631</u>

FACEPUNCH STUDIOS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

5. Other operating income

	2024	2023
	£	£
Video games expenditure credit (VGEC)	<u>2,890,493</u>	<u>-</u>

6. Operating profit

The operating profit is stated after charging:

	2024	2023
	£	£
Depreciation	453,052	333,961
Exchange differences	4,275,634	1,532,103
Other operating lease rentals	470,806	505,853
Pension costs	200,837	95,757
(Profit)/loss on sale of tangible fixed assets	98,805	10,813
Research and development costs	<u>1,438,857</u>	<u>1,350,909</u>

7. Auditor's remuneration

During the year, the company obtained the following services from the company's auditor and its associates:

	2024	2023
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's financial statements	68,800	16,550
Fees payable to the company's auditor and its associates in respect of:		
Tax advisory services	<u>567,590</u>	<u>-</u>

FACEPUNCH STUDIOS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2024	As restated 2023
	£	£
Wages and salaries	8,980,055	7,254,042
Social security costs	1,249,315	985,254
Cost of defined contribution scheme	200,837	95,757
	<u>10,430,207</u>	<u>8,335,053</u>

Key management personnel comprises the directors. Their aggregate remuneration was £531,750 (2023 - £615,000). The highest paid director received £252,250 (2023 - £255,000).

Pension costs in the period in respect of directors totalled £Nil (2023 - £Nil).

The average monthly number of employees, including the directors, during the year was as follows:

	2024	2023
	No.	No.
Administration	11	8
Development	42	24
	<u>53</u>	<u>32</u>

9. Interest receivable

	2024	2023
	£	£
Other interest receivable	<u>4,440,462</u>	<u>1,006,850</u>

FACEPUNCH STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024

10. Taxation

	2024 £	2023 £
Corporation tax		
Current tax on profits for the year	5,584,751	5,727,772
Adjustments in respect of previous periods	(174)	30,461
	<u>5,584,577</u>	<u>5,758,233</u>
Total current tax	<u>5,584,577</u>	<u>5,758,233</u>
Deferred tax		
Origination and reversal of timing differences	565,020	147,305
Total deferred tax	<u>565,020</u>	<u>147,305</u>
Taxation on profit on ordinary activities	<u>6,149,597</u>	<u>5,905,538</u>

FACEPUNCH STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 29 SEPTEMBER 2024

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2023 - lower than) the standard rate of corporation tax in the UK of 25% (2023 - 22%). The differences are explained below:

	2024 £	2023 £
Profit on ordinary activities before tax	<u>26,415,263</u>	<u>32,884,860</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 - 22%)	6,603,816	7,234,669
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	41,380	79,732
Capital allowances for year in excess of depreciation	-	(42,424)
Adjustments to tax charge in respect of prior periods	(174)	30,461
Video Game Tax Relief	(495,292)	(1,431,519)
Changes in tax rates	-	15,001
Other differences leading to an (decrease)/increase in the tax charge	(133)	19,618
Total tax charge for the year	<u><u>6,149,597</u></u>	<u><u>5,905,538</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

FACEPUNCH STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024

11. Tangible fixed assets

	Leasehold improvements £	Computer equipment £	Total £
Cost or valuation			
At 30 September 2023	3,399,662	327,690	3,727,352
Additions	67,490	145,710	213,200
Disposals	(122,936)	(3,785)	(126,721)
At 29 September 2024	3,344,216	469,615	3,813,831
Depreciation			
At 30 September 2023	285,393	100,038	385,431
Charge for the year on owned assets	340,003	113,049	453,052
Disposals	(24,132)	(3,785)	(27,917)
At 29 September 2024	601,264	209,302	810,566
Net book value			
At 29 September 2024	<u>2,742,952</u>	<u>260,313</u>	<u>3,003,265</u>
At 29 September 2023	<u>3,114,269</u>	<u>227,651</u>	<u>3,341,920</u>

FACEPUNCH STUDIOS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

12. Debtors

	2024	2023
	£	£
Trade debtors	4,254,525	7,753,333
Other debtors	5,407,817	7,581,102
Prepayments and accrued income	1,752,044	483,594
Deferred taxation	-	177,020
	<u>11,414,386</u>	<u>15,995,049</u>

An impairment loss of £Nil (2023: £Nil) was recognised against trade debtors.

13. Cash and cash equivalents

	2024	2023
	£	£
Cash at bank and in hand	<u>81,202,454</u>	<u>56,958,764</u>

14. Creditors: Amounts falling due within one year

	2024	2023
	£	£
Trade creditors	255,215	365,210
Amounts owed to group undertakings	1,000,467	1,000,564
Other taxation and social security	142,990	484,296
Other creditors	41,409	72,701
Accruals and deferred income	9,097,394	10,295,639
	<u>10,537,475</u>	<u>12,218,410</u>

Amounts owed to group undertakings are interest free and due on demand.

15. Creditors: Amounts falling due after more than one year

	2024	2023
	£	£
Accruals and deferred income	<u>717,931</u>	<u>366,291</u>

FACEPUNCH STUDIOS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024

16. Deferred taxation

	2024 £	2023 £
At beginning of year	177,020	324,325
Utilised in year	(565,020)	(147,305)
At end of year	(388,000)	177,020

The deferred taxation balance is made up as follows:

	2024 £	2023 £
Accelerated capital allowances	(395,574)	(476,509)
Pension provision	7,574	4,109
Change in accounting policy	-	649,420
	(388,000)	177,020

17. Share capital

	2024 £	2023 £
Allotted, called up and fully paid		
100 (2023 - 100) Ordinary shares of £1.00 each	100	100
1 (2023 - 1) Ordinary A share of £1.00	1	1
1 (2023 - 1) Ordinary B share of £1.00	1	1
	102	102

All share classes are ranked pari passu in respect of dividend payments with the Ordinary shares of £1 each holding the voting rights.

FACEPUNCH STUDIOS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

18. Prior year adjustments

The comparatives have been restated to reclassify £2,597,688 of development costs, previously included within work-in-progress on the balance sheet, to cost of sales and administrative expenses in profit and loss. This adjustment has resulted in a decrease in prior year opening reserves of £935,077, a decrease in prior year assets of £1,948,259, an increase in prior year cost of sales of £1,116,758, an increase in prior year administrative expenses of £234,151, and a decrease in the tax on profit of £337,727; an overall decrease in profit before tax for the year ended 29 September 2023 of £1,350,909 and a decrease in profit after tax of £1,013,182. The directors believe this more accurately reflects the nature of the underlying transactions, that being development costs incurred for games being developed but not yet released.

The comparative figures have been restated to gross up both turnover and cost of sales following a reassessment by management of the Company's role in relation to a significant revenue contract. Based on revised judgements in accordance with FRS 102, the Company has concluded it is acting as a principal rather than an agent in the arrangement. As a result, prior year revenue and cost of sales have both been increased by £23,874,980. There is no impact on profit before tax, profit after tax or retained earnings. The directors believe this presentation more accurately reflects the substance of the Company's performance obligations and provides more relevant information to the users of the financial statement.

19. Capital commitments

At 29 September 2024 the company had capital commitments as follows:

	2024 £	2023 £
Contracted for but not provided in these financial statements	<u>810,691</u>	<u>-</u>

20. Pension commitments

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund during the year and amounted to £200,837 (2023 - £95,757). Contributions totalling £30,294 (2023 - £16,436) were payable to the fund at the reporting date and are included in creditors.

There are no directors accruing benefits under the pension scheme (2023 - £Nil).

21. Commitments under operating leases

At 29 September 2024 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2024 £	2023 £
Not later than 1 year	368,124	121,150
Later than 1 year and not later than 5 years	2,377,978	2,137,569
Later than 5 years	1,773,304	2,352,888
	<u>4,519,406</u>	<u>4,611,607</u>

FACEPUNCH STUDIOS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 29 SEPTEMBER 2024**

22. Related party transactions

The company has taken advantage of the exemption in FRS 102 (section 33) "Related Party Disclosures" with respect to disclosure of related party transactions with wholly owned group companies.

At the reporting date the company owed the directors £11,111 (2023 - £11,111) in respect of directors' loan accounts. These amounts are included within creditors and are unsecured, interest free and repayable on demand.

23. Controlling party

The company is a wholly owned subsidiary of Facepunch Group Ltd, a company incorporated in England & Wales, registered address Facepunch Studios Limited, 8th Floor, 103 Colmore Row, Birmingham, B3 3AG. Facepunch Group Ltd is the parent undertaking of both the largest and smallest group to consolidate their financial statements. Consolidated financial statements are available to the public and can be obtained at Companies House, Crown Way, Cardiff CF14 3UZ.

The Ultimate Controlling Party is Mr G J Newman by virtue of his majority shareholding in Facepunch Group Limited.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.